Business Record

Beyond the Green

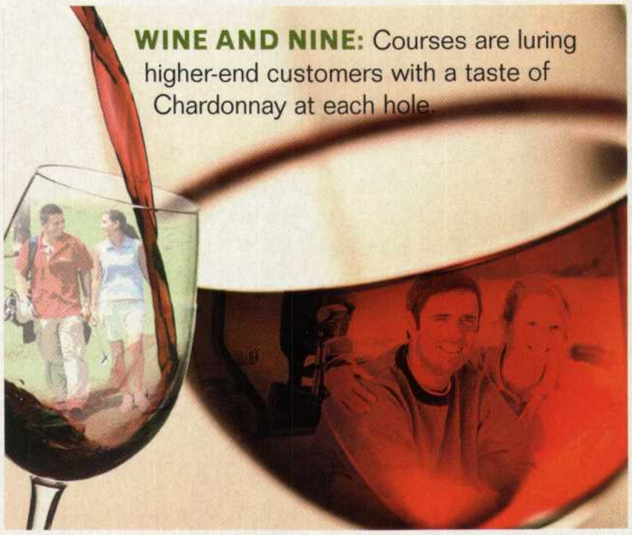
Profile

Discouraging Discounting

There are other ways to battle overbuilt golf markets rather than just cutting prices, experts say BY ANTHONY PIOPPI, CONTRIBUTING EDITOR

For the past three years, certified golf course superintendent John Miller has been reaping the unwanted penalties of the overbuilt golf market in the Toledo, Ohio, area.

Competition increased with the addition of golf courses while the number of players stayed the same. The course with which Miller is employed, The Golf Club at Yankee Trace, lowered prices to remain competitive with other layouts in the area that did the same. The result for Yankee Trace was an increase in number of rounds at the 27-hole facility but a decrease in revenue. According to Miller, the average green fee three years ago — combining 18-hole rounds, nine-hole rounds, leagues and twilight rates — was $31. In 2005 it was $24.56. This season the top price for 18 holes will be $61.



WINE AND NINE: Courses are luring higher-end customers with a taste of Chardonnay at each hole.

"It's a golfer's market," Miller said. "Not too far back when the golf industry was touting the building of a course a day, this area of the country bought into the hype. We went a little overboard."

The lower revenues have forced cost cutting at courses and that means the reduction in maintenance budgets.

"We can't keep maintaining courses the way we have been with less money coming in," Miller said, adding that many of his contemporaries have lowered their hourly wage rates for seasonal help, resulting in a poorer quality of candidates who apply for the jobs.

Mike Tinkey, the deputy executive director of the National Golf Course Owners Association, calls discounting green fees a "death spiral."

He said once a course in a crowded market cuts prices, others follow and a cycle begins. "Owners start to see parking lots filling up, but that may not translate to the bottom line," Tinkey said.

He said that some areas of the country are reporting a glimmer of hope with play rising a small amount. Many of those courses have taken aggressive marketing approaches to bring in customers. "It's all about creating a compelling experience," Tinkey said.

For instance, to encourage beginners, children and shorter hitters to take up the game, some facilities create a short course that has tee markers in the fairways.

Tinkey also tells owners to take part in such national programs as the PGA of America's Free Lesson Month. He said one of the most popular events for facilities looking to attract the higher-end customer is called Wine and Nine. It combines a wine tasting with nine holes of golf. Tinkey said some places do the tasting before golf, some after and others even have a

Continued on page 47

We Must Embrace Change Before It's Too Late

BY HEIDI VOSS

This column is dedicated to the late Tommy Pollard, his family and the team at The Federal Club in Glen Allen, Va.

One of the benefits of being a consultant is that the job never gets boring. You finish up one job and you move along to another locale and another challenge before you have the chance to become complacent. I love this. It keeps me on my toes.

Change, however, is not always seen in a positive light in the industry. In talking with many club managers, golf professionals and superintendents, they all bring up the lack of job stability in the club industry. I once heard that general managers of member-owned clubs stay an average of 18 months at a job. I think this is a little facetious, but it could still pass as a scary urban legend.

Superintendents are often only as good as the weather permits. When there are extreme conditions, there always seems to be a shakeup in the industry. Obviously, when all the grass in a county is dying it's probably not because of a superintendent and his staff. Somehow boards and owners seem to miss this.

Speaking of change, I recently heard that a director of operations left his post at a club in New York to take a job at a club in Boston. Then the previous director of operations at that same Boston club took his replacement's job in New York. Were both projects better for the change? Yes. And I say that because each person came into the new position with a fresh perspective and an attitude to make a difference. They both embraced the challenge. Both ownership groups were better for the change.

Change is often out of our control. While it can be caused by other forces, we must adapt to it.

The golf industry recently lost a great man that was living his dream by building a private Arnold Palmer Signature course on his family's land in Virginia. This 627-acre, 27-hole course was Tommy Pollard's calling. One evening, as Pollard donned his boots to go on a walkabout of the newly shaped nine, he collapsed. Pollard died, and he won't get to see his vision completed and enjoyed by many. His partners and family can take comfort in seeing his dream become a reality, but I doubt there will be a dry eye in the house on opening day. Pollard's team, however, was forced to adapt to ensure that his legacy will live on.

We must find ways to attract Gen Xers to the sport through gender-neutral tee times, family emphasis and time-conscious rounds.

Many critics have called our industry stagnant and complacent. Unless our industry can change and provide something for the generation Xers, baby boomers and matures, we will not be around long. We must embrace the challenge and realize that everyone is competing for the same dollars.

The baby boomers comprise the "me" generation, and they have a lot of money to spend. They are also the last age group that knows anything about a premier golf experience. Generation Xers are very athletic and recreationally focused, but they don't play much golf. While they are multitasking machines, golf is not at the top of their agendas. But we must find ways to attract them to the sport through gender-neutral tee times, family emphasis and time-conscious rounds.

Finally, don't let yourself fall into the rut of this being the same old season as last year. Challenge yourself and your team to try new ideas. If you close the door to change, you are opening the door to failure. ■

Heidi Voss is the president of Bauer Voss Consulting, a club marketing consulting company. She specializes in new development, conversions from public to private and member buyouts. For more information, visit www.bauervossconsulting.com.

PROFILE

Stathe Paganis

Superb customer service vital to growing the business

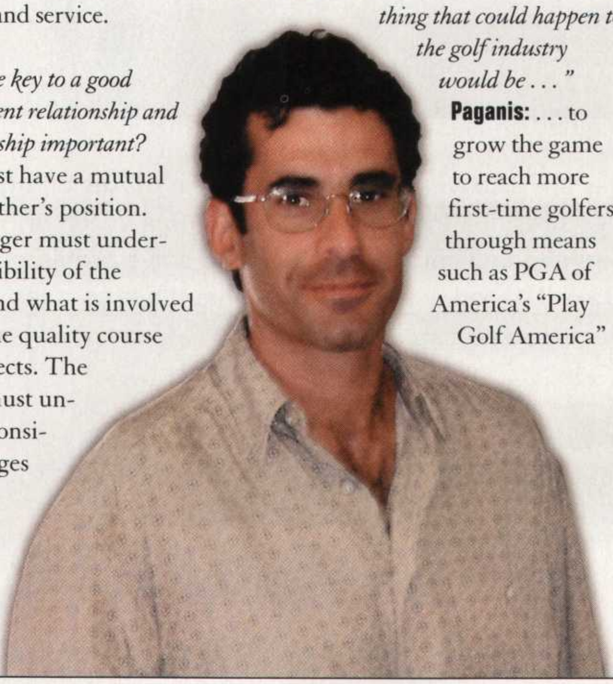
Stathe Paganis is a member of family-run International Golf Construction Co., which has built courses throughout the northeastern United States and Canada since the 1950s. In 1998, the Massachusetts company also became a course owner with the opening of CrossWinds Golf Club, a 27-hole layout in Plymouth, Mass. Paganis serves as CrossWinds course manager, giving him unique insights to the golf industry as both a course owner and builder.

Golfdom: *What's the most important issue facing golf course owners today, and why is it important?*
Paganis: Growing their businesses despite the abundance of golf courses. Doing this requires exceeding customer expectations. Make sure every customer leaves the course satisfied with the product and service.

Golfdom: *What is the key to a good owner/superintendent relationship and why is that relationship important?*
Paganis: They must have a mutual respect for each other's position. The owner/manager must understand the responsibility of the superintendent and what is involved with providing the quality course the customer expects. The superintendent must understand the responsibility and challenges that the owner/manager faces. The owner/manager is responsible for keeping the money flowing. Once the two understand each other's positions, then they will at least have some respect for each other's job. This will allow them to communicate effectively, even if they do not always agree. They do not need to like each other, but they must respect each other's position. They must understand they are in the same boat. Like any relationship, both sides must understand it is a partnership philosophy working toward the greater good of the operation.

Course owners and superintendents do not need to like each other, but they must respect each other's position.

Golfdom: *Finish this sentence: "The best thing that could happen to the golf industry would be . . ."*
Paganis: . . . to grow the game to reach more first-time golfers through means such as PGA of America's "Play Golf America" program. The industry has to target every age and gender.



Golfdom: *What is the best investment you ever made in your business?*
Paganis: There are two critical areas — turf quality and customer service. The best investment has to be a good superintendent to maintain the quality of the turf, with special emphasis on the greens. Equally important is a good hands-on manager with emphasis on customer service. The two work together to provide the golfer with an enjoyable "golf" experience. After all, a good golfing experience is what the golfer expects. Playing golf is like life. It is not about where you end up. It is the journey that counts.

Golfdom: *What do you do in your free time?*
Paganis: I rarely have any free time. If I had free time, I would learn how to play golf.

Golfdom: *What was the last book you read?*
Paganis: I think it was the Bible.

Golfdom: *What is your favorite movie?*
Paganis: I prefer romantic comedies. "When Harry Met Sally" is one of my favorites.

Golfdom: *What club in your bag do you hit the best?*
Paganis: My lucky 7-iron. ■

DISCOURAGING DISCOUNTING

DON'T DISCOUNT: Judy Hutt says she has seen people trip over dollars to try and save a penny.

Continued from page 43
tasting on every tee.

The Web site, *www.playgolfamerica.com*, is a good tool for courses to find ways to promote themselves, according to Tinkey.

Judy Hutt is general manager of the family-owned and -run Shadow Valley Golf Course in Boise, Idaho. She has long been against discounting, arguing that it fails to foster loyalty in golfers.

"You have to make yourself special. Don't look at what everyone else is doing, look at what they aren't doing," she said.

Shadow Valley is not a destination course, Hutt said, noting that 90 percent of its players are regulars. A year ago Shadow Valley pulled all of its print advertisement and cut back on its phonebook advertising. Those ad dollars have since been used to provide golfers with free amenities such as coffee, cider, bottled water and divot repair tools in order to create a friendlier atmosphere.

Shadow Valley has also successfully courted the corporate outing market.

Hutt said the change in strategy for the 33-year-old course came after a building boom in which six courses were added to the Boise area since 2000, the same year Hutt was last a member of the National Golf Foundation (NGF). It was about that time the NGF was calling for the construction industry to build a course a day. Hutt said that attitude could have ended up putting her out of business. As it looks now, Shadow Valley, thanks to its special attention to its customers, will most likely survive. Others that have done nothing more than lower prices to attract golfers may not.

Hutt is baffled by the errors her competitors have made. "I've seen people trip over dollars trying to save a penny," she said.

Innovative methods to get and keep golfers aren't just the purview of the daily-fee courses. Private facilities are also finding ways to be successful in the competitive market.

At Rolling Hills Country Club in Newburgh, Ind., near Evansville, general manager Michael Bastin said the club has become proactive. "We're looking to create more opportunities by emphasizing the programs we have," Bastin said of the club that also has tennis, swimming and a restaurant for its 570 members.

One method is the recruitment of former members called the Old Buddy plan. They are allowed to rejoin without paying an initiation fee; an amnesty program, as Bastin termed it.

When he arrived 15 months ago the club did not have a legacy program; it does now. In an innovative foray, club members invited local real estate agents for a group lunch and tour of the facilities. In a follow-up, agents and prospective home buyers in the area were treated to complimentary lunch and given a tour. Members are encouraged to remain at the club through various enticements. On Kids Night, babysitters and entertainment for children are provided in one room while parents dine in peace in another.

"You have to change with the flow and go with the flow," Bastin said.

On the east coast of Florida, Weston Hills Country Club is doing its best to keep up membership. According to general manager Robert Holzman, the club isn't in competition with other courses but rather other outlets for disposable income such as a new swimming pool. "Our approach has been we are trying to provide entertainment for all members of the family," Holzman said. "Trying to sign daddy up for golf isn't enough."

The 36-hole Weston Hills has hosted the PGA Tour's Honda Classic and the LPGA's Chrysler Tournament of Champions. There are 750 golfing members and 1,400 total members, including tennis, executive (weekday golf privileges only) and social memberships.

To help new members with the financial burden, Weston Hills works with a company that lends money to those wishing to join a country club but can't come up with the entire initiation fee, in this case about $30,000. Those taking part must put down 25 percent of the total. Much like new car dealers, the club can buy down the points on the loan so the interest rate for the member can be zero percent.

"That's an expense we're willing to bear," Holzman said.

Another new way for clubs to protect themselves is to take out insurance against members leaving. Once a member is vested, the club would be reimbursed for the initiation fee if the member moved beyond a set distance from the club such as 100 miles.

"You've got to be more aware of everything you're doing," Holzman said. ■